

Message Text

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P R 161600Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY ANKARA PRIORITY

INFO AMCONSUL ISTANBUL

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E.O. 11652: N/A

TAGS: ETRD, TU

SUBJECT: US GRAIN CONTRACTS WITH TURKISH AGENCY

REF: ANKARA 3492

1. REPRESENTATIVE OF BUNGE CORPORATION MET WITH STATE AND AGRICULTURE DEPARTMENT OFFICERS MAY 15 TO REQUEST USG ASSISTANCE RE GRAIN CONTRACT BETWEEN THEIR ANTWERP AFFILIATE, S.A. BUNGE ANTWERP, AND TMO FOR IMPORT OF 50,000 TONS, PLUS OR MINUS 10 PERCENT OF US SOFT RED WINTER WHEAT. CONTRACT, SIGNED OCTOBER 11, 1974, CALLS FOR SHIPMENT DURING JUNE 1975 AT PRICE OF SWISS FRANCS 612 PER METRIC TON CIF. TMO WAS TO HAVE ADVISED SELLER OF PORT OF DISCHARGE BY MAY 1, I.E., ONE MONTH BEFORE SHIPMENT PERIOD BEGINS, AND OPEN IRREVOCABLE CONFIRMED LETTER OF CREDIT FOR FULL AMOUNT TWO WEEKS PRIOR TO BEGINNING OF SHIPMENT PERIOD.

2. ALTHOUGH LETTERS OF CREDIT NOT DUE FOR NEXT FEW DAYS, BUNGE AND ITS TURKISH AGENTS, TRANSTURK EKSPORT
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A.S., ISTANBUL, DO NOT NOW EXPECT TMO TO LIVE UP TO

CONTRACT TERMS. IN GENERAL, THEY CITE SAME POINTS AS

CONTINENTAL RE GOT REFUSAL TO APPROVE FUNDS FOR CONTRACTS AT PRICES HIGHER THAN CURRENT MARKET LEVELS AND ITS CLAIM OF NON-GOVERNMENTAL STATUS OF TMO. BUNGE CONTRACT PROVIDES FOR SOME FORM OF ARBITRATION BY TURKISH COURT, BUT COMPANY REP HERE CONSIDERS THIS ALMOST WORTHLESS. IF CONTRACT NOT HONORED, BUNGE SAYS IT STANDS TO LOSE UP TO US DOLS. 5.5 MILLION. BUNGE REP EXPRESSED EVEN GREATER CONCERN ABOUT POSSIBLE EFFECT OF THIS ACTION ON OUTSTANDING CONTRACTS WITH OTHER COUNTRIES. HE ALSO NOTED DANGER OF ONE COMPANY GIVING IN AND RENEGOTIATING CONTRACT OF LOWER PRICE, WHICH, HE BELIEVED, WOULD THEN CREATE PRESSURE FOR SIMILAR RENEGOTIATION OF ALL EXISTING CONTRACTS. ARTICLES DESCRIBING CONTINENTAL'S PROBLEMS WITH TURKISH GRAIN CONTRACTS APPEARED THIS WEEK IN WALL STREET JOURNAL AND JOURNAL OF COMMERCE.

3. EMBASSY REQUESTED TO FOLLOW UP EARLIER REPRESENTATIONS AT APPROPRIATE LEVEL, CITING BUNGE'S CASE IN ADDITION TO THAT OF CONTINENTAL, WITH CONTINUED EMPHASIS OF ADVERSE EFFECT OF SUCH ACTION ON FUTURE TURKISH COMMERCIAL TRANSACTIONS. PLEASE ADVISE OF ANY RESPONSE OR FURTHER DEVELOPMENTS. BUNGE SENDING OFFICERS OF ANTWERP AFFILIATE TO ANKARA, WHO ARE EXPECTED TO CHECK IN WITH EMBASSY.

4. IN ADDITION, EMBASSY REQUESTED TO CHECK INTO BASIS OF GOT CLAIM THAT TMO IS "PRIVATE" FIRM. IN THIS REGARD, MAY BE USEFUL TO CHECK LAWS OR REGULATIONS CREATING TMO AND ITS STATUS IN RECENT GOT ORGANIZATION MANUALS, ETC. HAS GOT EVER DEFINED STATUS OF TMO IN CONNECTION WITH OTHER BILATERAL PROGRAMS? WE ALSO UNDERSTAND GENERAL REQUIREMENT EXISTS REQUIRING MINISTRY OF COMMERCE APPROVAL OF IMPORT CONTRACTS, WHICH MAY BE TAKEN AS GOT ACCEPTANCE OF TERMS.
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